Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Ontario Food Terminal Board

Financial Statements
March 31, 2012

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Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Food Terminal Board have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to September 18, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The independent auditor's report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Bruce Nicholas
General Manager, Secretary Treasurer

Gianfranco Leo
Manager of Administration

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Food Terminal Board,
the Minister of the Agriculture, Food and Rural Affairs
and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Food Terminal Board which comprise the statement of financial position as at March 31, 2012 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Toronto, Ontario
September 18, 2012

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Ontario Food Terminal Board

Statement of Financial Position

As at March 31, 2012

	2012 $	2011 $
Assets		
Current assets		
Cash	712,663	621,140
Restricted cash (note 3)	486,110	501,850
Short-term investments (note 4)	4,768,436	3,725,708
Accounts receivable	616,023	512,724
Prepaid expenses and supplies	90,424	101,170
	6,675,656	5,462,592
Capital assets (note 5)	18,739,211	19,448,045
	25,414,867	24,910,637
Liabilities		
Current liabilities		
Demand loans (note 6)	4,729,394	5,360,564
Accounts payable and accrued liabilities	536,544	655,575
Deferred contribution (note 7)	483,099	500,000
Deferred revenue	649,809	772,411
	6,398,846	7,288,550
Net Assets		
Net assets invested in capital assets	14,009,817	14,087,481
Unrestricted net assets	5,006,204	3,534,606
	19,016,021	17,622,087
	25,414,867	24,910,637

Contingencies (note 9)

Commitments (note 10)

On Behalf of the Board

Director

Secretary-Treasurer

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Revenue and Expenditures

For the year ended March 31, 2012

	2012 $	2011 $
Revenue		
Rents	7,560,006	7,429,216
Cold storage	2,012,727	1,784,976
Toll fees	681,460	667,583
Buyer access tolls	434,836	417,339
Other income	165,111	135,624
	10,854,140	10,434,738
Expenditures		
Salaries and benefits (note 8)	2,727,878	2,645,028
Electric power	1,640,584	1,647,347
Amortization	1,239,875	1,199,281
Waste removal	1,269,909	1,150,835
Realty and business taxes	900,010	933,444
Repairs and maintenance	462,902	549,035
Insurance	335,748	329,141
Interest	164,562	168,882
Operating supplies and expense	167,107	160,712
Fuel	104,337	136,079
Office	95,401	100,758
Miscellaneous contract services	81,330	75,147
Rent - hydro land	71,395	72,050
Water	57,741	54,142
Legal services	83,372	52,831
Board members' fees and expenses	20,290	23,304
Miscellaneous	37,765	6,985
	9,460,206	9,305,001
Excess of revenue over expenditures for the year	1,393,934	1,129,737

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Changes in Net Assets

For the year ended March 31, 2012

	Invested in capital assets $	Unrestricted $	2012 Total $	2011 Total $
Net assets - Beginning of year	14,087,481	3,534,606	17,622,087	16,492,350
Excess of revenue over expenditures for the year	(1,239,875)	2,633,809	1,393,934	1,129,737
Invested in capital assets	531,041	(531,041)	-	-
Repayment of demand loans invested in capital assets	631,170	(631,170)	-	-
Net assets - End of year	14,009,817	5,006,204	19,016,021	17,622,087

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Cash Flows

For the year ended March 31, 2012

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,393,934	1,129,737
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization	1,239,875	1,199,281
Changes in non-cash working capital balances		
Accounts receivable	(103,299)	(268,070)
Prepaid expenses and supplies	10,746	(3,598)
Accounts payable and accrued liabilities	(119,031)	(267,403)
Deferred revenue	(122,602)	183,707
Deferred contribution	(16,901)	500,000
	2,282,722	2,473,654
Investing activities		
Purchase of capital assets	(531,041)	(1,323,571)
Purchase of short-term investments	(1,042,728)	(25,453)
	(1,573,769)	(1,349,024)
Financing activities		
Repayment of demand loans	(631,170)	(331,237)
Change in cash and restricted cash during the year	77,783	793,393
Cash and restricted cash - Beginning of year	1,122,990	329,597
Cash and restricted cash - End of year	1,200,773	1,122,990
Supplementary information		
Interest paid	164,562	168,882

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2012

1 Nature of operations

The Ontario Food Terminal Board (the Board), a government enterprise of the Province of Ontario, was incorporated without share capital pursuant to the Ontario Food Terminal Act (the Act), R.S.O. 1990, c O.15 and Ontario Regulations 871, 872 and 65/09 made under the Act. The objects of the Board include the operation of a wholesale fruit and produce market and the acquisition and operation of facilities for the transportation and handling of fruit and produce. To meet these objects, the Board leases land and buildings to wholesalers and growers. The Board is a not-for-profit Crown Agency and is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Revenue recognition

The Board recognizes revenue when services are provided and collectibility is reasonably assured.

Deferred revenue results from the prepayment of rent, stall rentals, parking rentals, buyers' access cards and office rentals.

Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are incurred.

Expenditures

Expenditures are reported net of recoverable sales tax.

Short-term investments

Short-term investments are guaranteed investment certificates (GICs) and are carried at fair value in the financial statements. Investment income is included in the statement of revenue and expenditures.

Capital assets

Capital assets are recorded at cost. Amortization of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 30 years
Buildings	10 to 40 years
Equipment and equipment under capital leases	5 to 20 years
Parking deck and retaining wall	4 to 40 years

Amortization of construction-in-progress will commence when the construction is substantially complete and the asset is put into use.

Impairment of long-lived assets

The Board reviews the carrying amounts of its long-lived assets if events or circumstances indicate the carrying amount may not be recoverable. If the carrying amount is not recoverable, the Board would recognize an impairment loss, if required, equal to the amount that the carrying value of the assets exceeds their fair value.

Financial instruments and risk

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired, their characteristics and the Board's designation of such instruments.

The fair values of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity.

The Board classified its financial instruments held as follows:

Financial instrument	Category	Measurement
Cash	held-for-trading	fair value
Short-term investments	held-for-trading	fair value
Accounts receivable	loans and receivables	amortized cost
Demand loans	other financial liabilities	amortized cost
Accounts payable and accrued liabilities	other financial liabilities	amortized cost

Cash and short-term investments are exposed to interest rate, market, liquidity and credit risks.

Interest rate risk is the risk the fair value or future cash flows of short-term investments and demand loans will fluctuate because of changes in market interest rates.

Market risk is the risk the fair value or future cash flows of short-term investments will fluctuate because of changes in market prices.

The Board is subject to credit risk with respect to accounts receivable to the extent that tenants do not meet their obligations.

The Board manages liquidity risk by ensuring sufficient liquidity is maintained by regular monitoring of cash flow requirements.

The Board has chosen to continue to apply The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Future accounting changes

- Accounting standards for government not-for-profit organizations

  In December 2010, the Public Sector Accounting Board issued a comprehensive set of accounting standards applicable to government not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Board is currently considering the impact of the adoption of these standards.

3 Restricted cash

The Board has internally restricted $488,110 (2011 - $501,850) of cash received from the Ontario Ministry of Agriculture, Food and Rural Affairs, and the related interest earned, for the pre-construction/site preparation costs of the possible expansion of the Ontario Food Terminal (note 7).

4 Short-term investments

	2012 $	2011 $
Bank of Montreal, prime less 1.8% (2011 - 1.85%) GIC, due October 26, 2012 (2011 - due October 28, 2011)	4,768,436	3,725,708

The cost approximates fair value.

5 Capital assets

			2012
	Cost $	Accumulated amortization $	Net $
Land	275,604	-	275,604
Land improvements	1,978,211	1,759,396	218,815
Buildings	26,236,873	12,059,161	14,177,712
Equipment	3,067,279	2,831,695	235,584
Equipment under capital leases	257,599	-	257,599
Parking deck and retaining wall	6,886,076	3,598,586	3,287,490
Construction-in-progress	286,407	-	286,407
	38,988,049	20,248,838	18,739,211

	Cost $	Accumulated amortization $	2011 Net $
Land	275,604	-	275,604
Land improvements	1,972,034	1,708,360	263,674
Buildings	26,151,761	11,384,137	14,767,624
Equipment	2,896,439	2,396,099	500,340
Equipment under capital leases	257,599	257,599	-
Parking deck and retaining wall	6,878,283	3,262,768	3,615,515
Construction-in-progress	25,288	-	25,288
	38,457,008	19,008,963	19,448,045

6 Demand loans

Demand loans comprise the following:

	2012 $	2011 $
Demand loan, non-revolving with an additional $649,279 available to be drawn, bearing interest at prime plus 1/4%, monthly repayments of $24,378 principal plus interest; this loan is used to primarily finance capital expenditures	4,729,394	5,021,930
Demand loan, non-revolving, bearing interest at prime plus 1/4%, minimum monthly payments of $3,225 principal plus interest; this loan is used to finance capital expenditures	-	338,634
	4,729,394	5,360,564

The Board has a revolving line of credit to a maximum availability of $1,000,000, which bears interest at the bank's prime rate. As at March 31, 2012, the Board had no borrowings outstanding under these facilities (2011 - $nil).

All of the above loans are supported by a letter of undertaking not to sell, further mortgage or otherwise encumber property located at 165 The Queensway.

As at March 31, 2012, there are externally imposed debt covenants with respect to the Board's external bank loan. All covenants have been complied with as at March 31, 2012.

7 Deferred contribution

In the prior year, the Board received a one-time contribution of $500,000 from the Ontario Ministry of Agriculture, Food and Rural Affairs. The remaining balance of $483,099 has been classified as restricted cash (see note 3).

	2012 $	2011 $
Balance - Beginning of year	500,000	-
Add: Contributions received during the year	-	500,000
Less: Contributions recognized during the year	(16,901)	-
Balance - End of year	483,099	500,000

8 Self-directed RRSP

The Board offers its full-time employees a self-directed RRSP plan whereby employees make a minimum contribution of 5% of their pay. The Board contributes a matching amount up to a maximum of 6% for employees with over 15 years of service and 5% for all other eligible employees. The expense for the year under this plan was $85,289 (2011 - $79,548) and is included in salaries and benefits.

9 Contingencies

Various actions have been brought against the Board for matters that arose in the ordinary course of operations. In the opinion of management, the outcome of the lawsuits is indeterminable. However, should any costs result from the resolution of these claims and charges, these costs will be charged to operations in the year they are estimable.

10 Commitments

The Board leases land for vehicle parking space under an operating lease. The future annual minimum lease payments are as follows:

	$
2013	62,052
2014	46,539
	108,591

11 Management of capital

The Board considers its capital to consist of net assets invested in capital assets and unrestricted net assets. The Board's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its clients and allow for future expansion. Annual budgets are developed and monitored to ensure the Board's capital is maintained at an appropriate level. Deficiencies from operations are funded from increased rent. Capital asset expenditures are funded from the excess of revenue over expenditures.

There have been no significant changes to the Board's capital management objectives, policies and processes in the year, nor has there been any change in what the Board considers to be its capital.